

Multi-channel Packaging



PRO CARTON

EHI Retail Institute®



Product packaging for E-Commerce – requirements, trends and opportunities

Summary of a study by the EHI Retail
Institute on behalf of Pro Carton



INTRODUCTION

The "Multi-channel" challenge sets a number of new tasks for the entire Packaging Supply Chain. The retail trade is in "the front line" for two reasons.

- First of all, Multi-channel is a logistics challenge: the retail trade is continuously working on how best to utilise the new digital opportunities to create a perfect new distribution system. This system needs to be tightly linked to the existing in-store systems so that products reach the customers the way they want and expect them.
- Secondly, of all the members in the Packaging Supply Chain, the retail trade is closest to the consumers. It is the first to find out what customers are willing to accept and what they will not, what their real needs are and what can be done to improve the situation.

This is why Pro Carton commissioned the EHI Retail Institute to conduct a study among the retail trade to find out what solutions are currently being examined, which are successful, and what the retail trade really wants.

This first feedback from the retail trade can give the carton and cartonboard industry insights to help develop new concepts based on their own strengths and to agree these with the brand owners and the retail trade.

The study clearly showed that cartons have an excellent reputation with the retail trade due to their many positive features. Looking ahead into the future, the retail trade is expecting the carton industry to come up with new solutions for the challenges ahead.

Time is of the essence: all predictions indicate that online retailing will grow significantly in the near future. How quickly this growth will come and how big it will be, is not yet clear, but come it will.

Roland Rex, President Pro Carton

Anticipating the requirements of customers before they even make them known, is an art in itself. This is why I was more than delighted when Pro Carton approached us with the question, how packaging needed to be designed for a multi-channel world, in particular the carton, to support the branded goods industry and specifically, the stationary and online operating trade.

This approach is far-sighted as there is still considerable discussion as to whether foods and drug-store items can even be distributed online. If we look at retail sectors which already have an affinity to online, one can see how quickly Internet trading captured market share once a sound and successful concept had been developed. Finding solutions too late leads to a hectic rush.

It therefore makes sense to analyse the requirements of tomorrow today, to prepare solutions and to introduce them step by step. The results show that cartons in particular, can satisfy the increasing needs of the retail trade for multi-channel packaging due to its stable basic form in combination with flexible design.

We hope to give industry and the retailers significant encouragement with this study to transform this basic suitability into concrete, future-safe packaging solutions.

Marco Atzberger, EHI Retail Institute





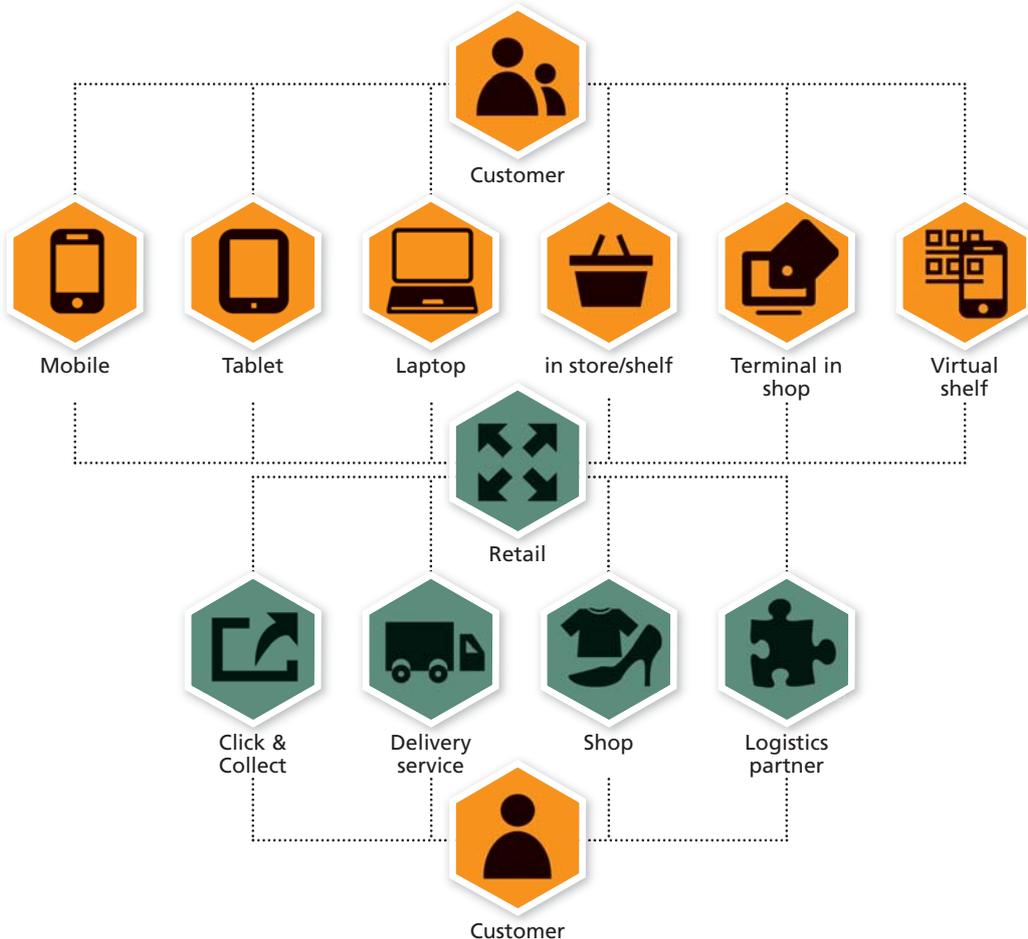
The retail trade wants cartons.

Online retailing is enjoying steady growth. In Europe, its share of the food sector is currently very small, however, there are some pioneers with substantial online food business. Due to the different procedures in online and store retailing, the complexity of the requirements made on packaging is increasing.

In order to understand the variety of needs and the future of product packaging in E-Commerce from the perspective of the online and multi-channel retailers – in particular with regard to cartons – Pro Carton approached the EHI.

This resulted in a clear picture:

- The requirements for product packaging relating to online retailing start with the product images in the online shop. For example, the materials should not be too glossy and offer good contrast so they are easy to see and read.
- But above all, there are specific requirements for shipping. The product packaging must not be too heavy, it must protect the products adequately and should not be damaged by other products or damage other products.
- The opportunities for possible packaging innovation are can be found in product packaging suitable for shipping. There is also a need for gift packaging in standardised, and also customised solutions in various sizes.
- The outlook for cartons in online retailing is excellent. They are well suited for display in online shops, they offer innovative, standardised, brand-relevant, well designed products and are suitable for gift packaging and shipping.



Efficient packaging makes the difference.

The processes in B2C online retailing give an insight into the challenges faced by packaging:

PRESENTATION IN THE ONLINE SHOP

For customers ordering online, it is important that the product has a clear and attractive display in the online shop. This requires a clearly identifiable and attractive image of the product and the product packaging. Specific criteria for photography must therefore be met.



PRODUCT MIX

Customers can order products singly or in multiple quantities from online shops. For E-Commerce this means that orders cannot always be fulfilled with the same units as used in the store. Some retailers and manufacturers believe that customers will be able in future to order customised units of a product in individual packaging sizes.



PACKAGING FOR SHIPMENT

For products being shipped singly to online customers, there is some demand for product packaging that is already suitable for shipping, to avoid the need for additional packaging. It is crucial for shipping that the products and the packaging are not too heavy, cannot be damaged and will not damage other products.



RECEIVING THE GOODS AT HOME

When as customers receive the goods, this is their first direct contact with the product and its packaging. To give a positive customer experience, it is important that the goods arrive undamaged, that the packaging is easy to open, has an attractive design, and above all, utilises no unnecessary packaging material.



RETURNING THE GOODS TO THE RETAILER

If the customer is not happy with the product, it may well be that the goods will be returned to the retailer. It is therefore important that the product packaging is not only designed sensibly for initial appearance, but also for further handling. Packaging should be designed to facilitate return where necessary.





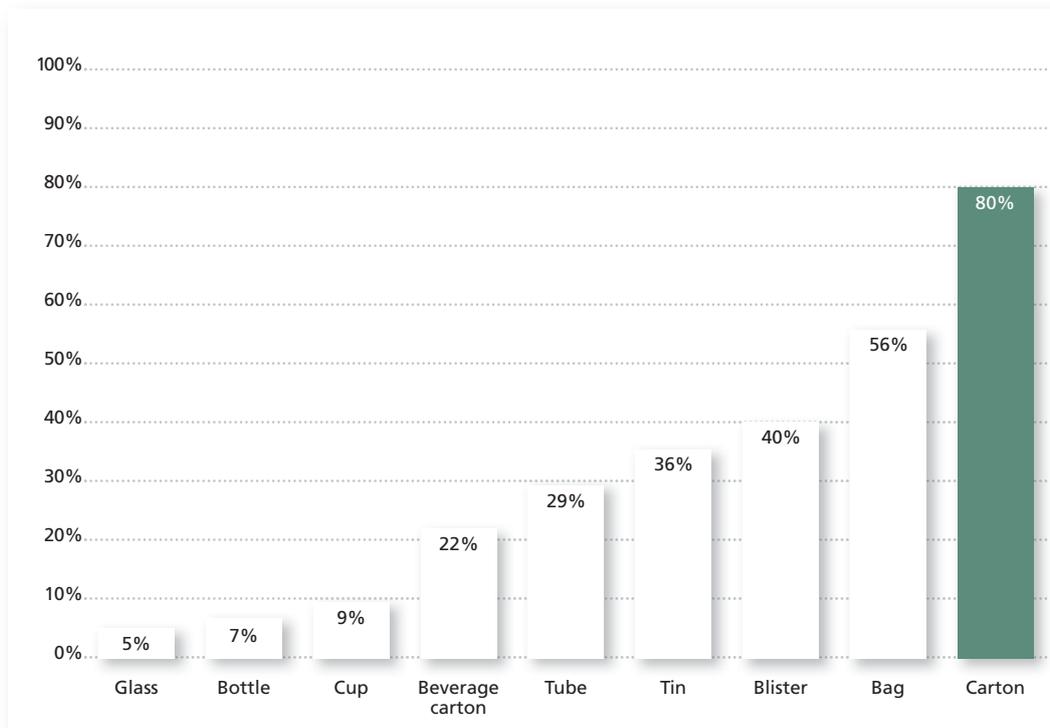
The overwhelming majority sees cartons in the lead.

A key question in the study was “which product packaging meets shipping requirements especially well?” A lot of different responses were given but the result was clear:

- Compared with other types of product packaging, cartons perform exceedingly well – for most of the people interviewed they are “especially well suited” for online shipping.
- This was followed, well behind, by bags. Here one needs to differentiate clearly between which types of products are being shipped. Bags can prove to be a space saving option but only for unbreakable goods.
- Blisters came in third place. However, this applies only to the shipping and not for the entire process chain. The reason being, that product packaging must be easy to open for the customer as well as being resealable in case of a need to return the product.
- Glass is rated the least suitable, as it is both heavy, fragile and prone to breakage. Hence, there is insufficient product protection during shipping.

Four of five responders are of the opinion that cartons are extremely well suited for shipping.

Which product packaging meets shipping requirements especially well?



Clear, succinct graphics and images are the direct route to the customer.

Product images in the online shop have specific requirements. The design of the packaging and the material require special attention to allow optimum presentation of the product.

- The image should be realistic, attractive and appealing.
- The image should allow zooming. A 3D view (360 degree view from all sides) makes sense for many products so that online customers can turn or rotate the product by hand, so replicating a regular store situation whereby rectangular packaging and its six sides are far better suited for panoramic viewing than, for example, conical shapes.
- All the text on the product image need not necessarily be legible, as the relevant information can also be provided in digital form. However, the most important elements, in particular the name of the product, should be shown in legible sizes and with sufficient contrast.



Mobile



Tablet



Laptop



Terminal in shop



Virtual shelf



- Seams and folds, for example on chocolate bars, can limit visual clarity if they cover relevant information and are not easily visible.
- Transparent materials are difficult to photograph. Glass as well as with metal is problematic due to their different reflection characteristics. Also, silver tones on windows and smooth surfaces reflect light and may therefore not be ideal for perfect product presentation.
- Reflection should be avoided from the materials and printing. Windows, as used in some packaging, cannot be photographed perfectly due to reflection and crinkling and thus can limit perfect presentation.

Cartons are exceptionally well suited for visibility on the Internet due to:

1. good 360 degree viewing
2. clear graphic contours
3. perfect graphic design options
4. opacity
5. Lack of reflection



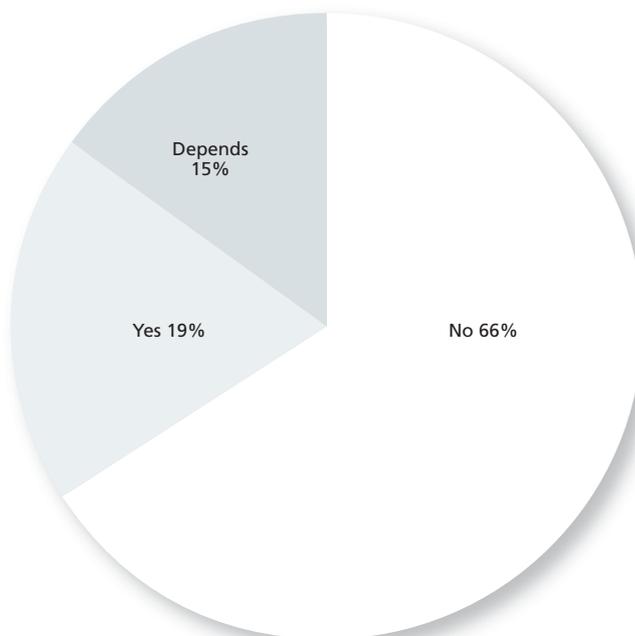
DIFFERENT UNITS FOR STORE AND ONLINE?

Certain product groups require different packaging sizes for the online trade.

The question "Would you be in favour of offering online and store products in different units or sizes?" resulted in a varied response. On the one hand, different packaging sizes and units may require considerable additional work. On the other hand, it would be good to meet the wishes of customers.

- The idea of offering different units for online and store sales was not thought necessary by over half of the retailers in terms of a successful multi or cross-channel strategy. For them it is important to offer exactly the same products across all channels.
- Furthermore, several retailers and manufacturers believe that most items are already available in sufficient number of variations. Greater complexity of different sizes and units across different channels would only add unnecessarily to costs and would be misleading for customers.
- On the other hand, over a third of those interviewed online and multi-channel retailers agreed with the suggestion to have different sizes and units. The needs of online customers and the shipping requirements vary considerably from those of the conventional store trade. In their opinion, this should be reflected by appropriate product offerings and corresponding packaging solutions. However, whether an alternative size makes sense to meet customer wishes very much depends on the type of product and product group.

"Would you be in favour of offering online and store products in different units or sizes?"



Click & Collect



Delivery service



Logistics partner



PRO CARTON

Numerous items are purchased online in larger quantities for storing.

There are a number of reasons why there might be a need for different product sizes and order quantities in the online trade.

- To a certain extent, online customers demonstrate different ordering and purchasing behaviour when compared with conventional store customers, in terms of the number and size of units. Where it makes sense, online customers purchase larger units or quantities. They take advantage of not having to carry the goods themselves. This relates mainly to low-priced items which are required frequently and purchased regularly, do not spoil easily, are bulky or difficult to carry and are easy to store. Examples are pasta, baby food, coffee, wine, pet foods and other items such as cleaning agents and detergents. It is important to note that larger units are only attractive if they contain correspondingly more content.
- Packaging which is larger than necessary to hold the contents is not liked at all. Larger units must also be compact and space saving. Shipping packaging that is not full is expensive, not sustainable and disliked.

Cartons are ideal for bulk buying in different sizes and quantities.



SINGLE OR COMBINED SHIPPING

Packaging for shipping must be extremely versatile.

As with the packaging in stores, online packaging needs to be robust and stackable. Other criteria are also important for online packaging:

- High quality product protection is necessary as the goods must arrive undamaged at the customers.
- Robust packaging is necessary to protect the products.
- Adequate material strength is required to ensure that the packaging is not crushed, does not tear and does not break.
- Good seals which do not come undone are important to avoid spillage of the product.
- The packaging materials should be neither heavy nor fragile.
- The product packaging should not have sharp edges or corners which could damage other products.
- The size of the packaging should match the size of the product as closely as possible to avoid unused space in the package.
- Square or rectangular format packaging is preferable as it saves space.
- Good re-sealability is important in case of returns.



Cartons meet all these requirements – and they protect fragile products during shipping.



Click & Collect



Delivery service



Logistics partner



Packaging for shipping as an attractive brand messenger during single shipping.

Shipping single products presents a very special challenge for logistics and design. The need is for innovative packaging solutions suitable for both B2B and B2C to ensure packaging is designed to promote the brand.

- In the opinion of several retailers and also manufacturers, it would be sensible if the online retailer received the items for online sales ready for shipping. The online retailer could then send the goods directly to the customer without the need for any repackaging with additional materials which currently happens.
- The vision of some retailers goes even further for ready to ship packaging. An increasing demand for ready to ship product packaging for the shipping of single products is foreseen.

A quote from a multi-channel retailer:
"In terms of product packaging, manufacturers as well as retailers should focus more on 'B2C' in addition to the existing 'B2B'. In principle, one should consider B2C use for every product and so influence better product packaging. There is still considerable work ahead for all those involved in the supply chain ..."

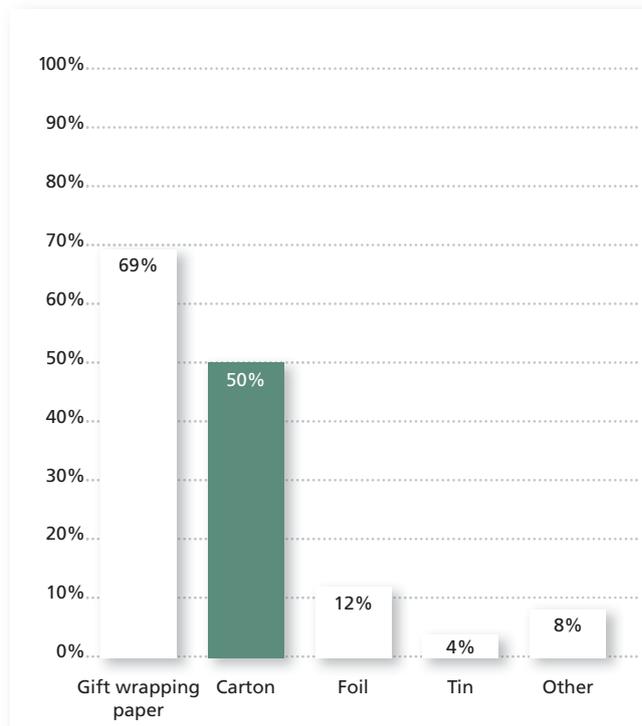


High quality gift packaging.

The demand for innovative gift packaging, both standard and specially designed, to illustrate the brand, is higher in the online trade than in the store. Increasingly, online retailers offer their customers gift packaging as an added benefit. In response to the question "With which materials do you gift wrap items, given the opportunity?", Cartons and paper topped the list:

- Gift wrapping paper was used by over half the online retailers.
- Cartons were used by half of those offering gift packaging.
- Materials were also used in combination.
- Cases and ribbons were mentioned as "other" materials.
- 20 % of the online retailers interviewed currently offer gift wrapping. As an option.
- 16 % plan to introduce this service.

With which materials do you gift wrap items, given the opportunity?



Many online retailers utilise the potential of promoting their shop through high quality gift packaging. In addition to gift wrapping paper, they predominantly use cartons for this purpose.



Mobile



Laptop



Terminal in shop



Logistic partner



Packaging systems with variable volume.

Looking into the future, several online retailers see a growing potential for customers to choose individual product quantities and adapt product packaging to meet their needs.

- The consumer should be given the option to purchase only those quantities that they actually require. The objective is to adapt the size of the packaging to avoid disposal of unnecessary waste.
- There is considerable potential in the online channel for customised packaging solutions to meet customer requirements. For example, in the case of online food recipes, customers could calculate and then order the specific quantities needed.
- More than a third of those interviewed online, along with the multi-channel retailers, endorse the idea of different sizes and units (see graph on page 8). The vision of more customised packaging sizes offers the potential for possible packaging innovations.



In terms of shape and strength, cartons are ideally suited for different sizes and offer opportunities for new, modular solutions, for example, for food recipes, etc.

CONCLUSION

Cartons meet the requirements of the online retail trade perfectly.

The majority of those interviewed regard cartons as being an ideally suited product packaging for online shopping. Hence, online and multi-channel retailing offers very significant opportunities for cartons:

- for clear visibility and recognition in the online shop
- for shipping and returns
- for brand design and a positive shopping experience
- as gift packaging

Innovative cartons are in demand for:

- customised packaging quantities
- attractive, brand designed gift packaging which can be handled efficiently and standardised
- packaging solutions which adequately protect fragile products during shipping
- product packaging which can also be used as packaging for shipping
- packaging solutions which are sensibly designed for both B2B and B2C

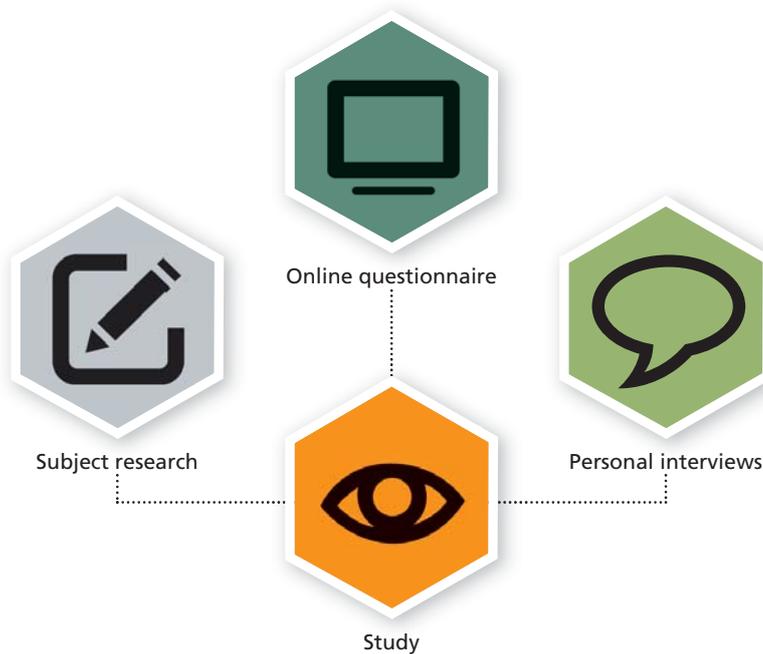




Methodology of the study.

The study was conducted in 2014 in three phases:

1. An analysis of the processes in online retailing clearly identified the stages in the Supply Chain with their relevant packaging requirements. Following these stages, it was possible to elaborate on the challenges and possibilities facing packaging in online and multi-channel retailing.
2. Personal interviews – largely with multi-channel retailers and partly also with international brand manufacturers – were employed for qualitative research. The objective was to find out what retailers feel about packaging in online and multi-channel retailing, what challenges and possibilities they see, and what their visions are.
3. Using a comprehensive database, leading online retailers, and especially multi-channel retailers, were questioned on a quantitative basis using an online questionnaire with regard to the requirements and opportunities identified in the personal interviews. This resulted in topics which could be worthwhile following up in the future for the packaging industry, and in particular the carton industry, for providing more innovative solutions.





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